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28 May 1952

US OFFICIALS ONLY

OCI No. 5190
Copy No. 267

CURRENT INTELLIGENCE DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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Army, USAF and State Dept reviews completed

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Approved For Release 2002/05/20 : CIA-RDP79T01146A001000120001-8

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GENERAL

1. Embassy Moscow expects Soviet harassment in Berlin to stop short of provocation: The US Embassy in Moscow estimates that Soviet harassing tactics may be expected to stop at a point where the USSR believes that going further could provoke actual hostilities involving Soviet and Western forces.

Embassy officials point out, however, that the Soviet Union doubtless considers that much could be done to render the Western situation in Berlin unsatisfactory by a succession of creeping restrictions, none of which might be expected to appear in itself important enough for strong Western counter-measures.

The Embassy concludes that the USSR is probably preparing to exploit these possibilities "with great energy and impudence." (S Moscow 1871, 24 May 52)

EASTERN EUROPE

2. Czech Government forced to cut electric supply to Prague consumers: The Ministry of Fuel and Power issued a statement on 22 May that the Prague electric power grid was compelled repeatedly to interrupt power supplies because certain enterprises were using more electricity than the plan called for or were changing the working hours laid down by agreement with the power suppliers. Small consumers were also criticized for taxing the power supply during peak hours. Consumers were warned that power would continue to be cut off without notice. (R FBIS Prague, 23 May 52)

Comment: This is the first indication that the chronic winter shortage of electric power will continue at least through the spring. The fact that gas main pressure was also

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reduced in January points up the possibility that the power shortage is due to a lack of coal used in the major power stations supplying Prague.

Interruption of the power supply at the transformer will have an adverse effect on output of such strategic items as jet aircraft engines, heavy machinery and transportation equipment, and electronic equipment, the production of which is concentrated in and around Prague.

3. Hungary attempts to repair frost damage to crops: The Hungarian press on 24 May admitted for the first time that frost had damaged spring crops and simultaneously published a new decree on resowing and replanting. The US Legation at Budapest noted that serious damage had been done to all crops except small grain. (R Budapest 872, 26 May 52)

Comment: A time limit for the harvesting of first crops was set by the cabinet decree of 18 May that required the earliest possible sowing of second crops for fodder. This reportedly is the first measure of the Hungarian Communist regime specifically aimed at increasing second crops.

Hungary experienced two weeks of unseasonably cold weather with snow flurries and night frosts.

4. Further curtailment of private trade in Rumania: The American Legation in Bucharest reports that an article in the Rumanian press has revealed that private traders in grain, flour, cattle, meat, horses, hides, cotton, fodder and oil seeds, and petroleum have recently been "eliminated." (R Bucharest 461, 24 May 52)

Comment: The liquidation of all capitalist elements in industry and private commerce is one of the major aims of the current Rumanian Five Year Plan. Since 1947, 95 percent of the industry, 85 percent of the transport, and more than 12.6 percent of the cultivated land of Rumania have been drawn into the "socialist sector." Elimination of the private retail traders mentioned above will result in a further expansion of the "socialist sector" in the field of trade, only 24 percent of which remained in private hands by the end of 1951.

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5. Yugoslav regime continues to emphasize administrative decentralization: The Tito regime's anti-bureaucratic drive continues with the major emphasis on decentralization of personnel and the need for political education of the party, workers, teachers, and youth. Difficulties in applying the principles of decentralization are illustrated by the recent withdrawal of the right to state employment in those instances where technicians and political agitators refuse transfers to the interior. (S Belgrade Weeka 21, 23 May 52)

Comment: This application of "administrative methods" reflects the significance attached by Yugoslav planners to the problem of persuading university students to fill "unpleasant posts" in the provinces, and inducing party members, particularly those demonstrating managerial incompetence, to vacate administrative sinecures for political work amidst the local organs of government.

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FAR EAST

6. Far East Command asserts Communists possess overwhelming air superiority: The Far East Command on 27 May estimated that the enemy has a total of 1,115 aircraft massed in Manchuria and that this overwhelming superiority gives him a major offensive capability. The home bases of UN F-86's, as well as the headquarters of both our ground and air forces in Korea, are well within the combat radius of the 350 jet and 35 piston fighters based at Antung, Tatungkou, Takushan and Sinuiju. Only a few miles farther inland on the Anshan-Mukden airfields, 30 light bombers, 240 jet and 85 piston fighters are in position to provide support as well as additional shock power for a striking force.

Although there are no indications of an impending air offensive, FECOM notes that the Communists have sufficient aircraft, personnel, air facilities and logistic support to launch an offensive without warning in which UN planes, crowded on Kimpo and Suwon airfields, would quite possibly sustain more than 50 percent destruction from the initial attack. Such losses would necessitate forfeiture of offensive aerial superiority in favor of defense tactics. (S CINCFE Telecon 5848, 27 May 52)

7. Rhee plans to remove South Korean Chief of Staff: During the course of a 27 May call paid to President Rhee by General Van Fleet and American Charge Lightner, the South Korean chief executive indicated that ROK Army Chief of Staff Lee is being removed for implication in the "plot" against Rhee.

In reply to Lightner's comments that the world would view present developments in Pusan as drastic police measures designed to prevent the legislature from proceeding, Rhee stated that "gangsters" had obtained control of the Assembly. The President claimed, however, that within two months a duly elected National Assembly could be operative since the principal traitors in the Assembly would be put out of the way and their places taken by true representatives of the people.

The Embassy comments that while Rhee no doubt has a large popular following, most of the potential leadership of South Korea, such as the intellectuals, businessmen, an increasing number of government officials and army officers would welcome a change. Few are willing to take a positive stand under present circumstances. Rhee is determined to get

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rid of his enemies at all costs. The Embassy believes that further informal representations will be ineffective and stronger action seems required. (S Pusan 1170, 27 May 52)

8. Communist China importing large quantity of Pakistan cotton: Since 1 September 1951 Communist China has purchased 320,000 400-pound bales of Pakistan cotton. All except 83,000 bales have been shipped. (C Army Karachi 6, 16 May 52)

Comment: This quantity of cotton probably cost China over 70 million dollars. Heavy Chinese buying of Pakistan cotton has not been expected, as the 1951 domestic cotton crop was believed ample for China's needs. The Communists may be building up their raw cotton stockpile which was abnormally low last summer.

9. Germ warfare propaganda reported making some progress in Burma: Accusations that the United States is resorting to germ warfare in Korea continued to be a major Communist propaganda theme in Burma, according to the US Embassy in Rangoon. The Embassy comments that while there is still a general lack of credence regarding these attacks, the "big lie technique" may be expected to convince many and that some progress in Burma was already discernible. (C Rangoon 1120, 22 May 52)

Comment: Indicative of the Burmese reaction to fantastic stories was the recent congregation of thousands of Rangoon citizens around one of the city's lakes in response to a rapidly spread rumor that an underwater devil had captured and devoured a British seaman. Part of the crowd waited all day for an investigation by "experts."

10. Opposition attacks Burmese Government on rice policy: The political opposition to the Burmese Government, which is mostly pro-Communist, is attacking the large profits obtained from rice bought from the farmer for less than 50 dollars a ton and sold for at least 168 dollars a ton. The US Embassy comments that the opposition has a genuine issue with which to approach 75 percent of Burma's population and that the only surprise is that it was not exploited sooner. (C Rangoon 1125, 23 May 52)

Comment: The controlled price paid to farmers has not changed since Burma became independent in January 1948, while the price for exports has steadily increased.

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Despite the increase in price and the volume of exported rice, there is no public accounting of most of the proceeds by the Burmese Government or its handling agency, the State Agriculture Marketing Board.

11. Burmese Socialists worried by Communist peace feelers:

The Burmese Premier [redacted] stated in mid-April that the Executive Committee of the government party had held three meetings to consider the problem of Communism. The Premier [redacted] said that the Communist-inspired "peace" campaign was being well-received by most of the people and by segments of the army. On the other hand, the Burmese Socialists who dominate the government are opposed to making peace with the Communists because they feel their position is insecure and they anticipate further trouble from the Communists if they were permitted to operate above ground.

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SOUTH ASIA

13. Pakistan faces growing jute and cotton problem: Estimated carry-overs of jute and cotton past the end of the current crop year on 15 July will be the largest since Pakistan became independent in 1947. Foreign demand for these commodities is now almost non-existent, except from India.

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The Pakistan Government is concerned over the situation, as shown by the recall from leave of the Governor of the State Bank, and it is actively studying the problem. No solution has yet been reached. (C Karachi Jt. Weeka 21, 23 May 52)

Comment: Pakistani commodity markets have suffered a decline since January. Government income is being substantially lowered by reductions in export duties which were necessitated by the slump in business. In the case of jute, the government may face a long-term loss of income. Indian production of raw jute has been increasing rapidly, and Indian mills are less dependent than heretofore upon Pakistani raw fibre. Pakistani mills do not yet produce considerable amounts of either jute or cotton goods. The continued hesitation of foreign buyers to purchase Pakistani raw materials at current prices will have a decidedly adverse effect on that country's budgetary outlook.

14. General Motors assembly plant in India may be forced to close by 1953: The Indian Government is reportedly planning import control measures which may result in the closing of the General Motors assembly plant in Bombay by 1953. The government apparently intends to favor so-called Indian manufacturers who, at present, seem to be completely incapable of fulfilling India's automobile and truck requirements.

The American Consul General in Bombay suggests it might be pointed out to the Indian Government that the forced closure of the American-owned General Motors plant would have a most unfortunate influence on the flow of American capital to India. (C Bombay 360, 26 May 52)

Comment: Fear of eventual nationalization and of the above type of government favoritism toward Indian firms has delayed the entry of foreign capital into India. Without such foreign capital, industrial expansion in India will necessarily be slow, and India will continue to depend heavily on United States economic aid.

NEAR EAST - AFRICA

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15. Iranian Prime Minister allegedly has reserve plan to settle oil dispute:

25X1X the Prime Minister is prepared to reach an agreement with the

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25X1C Anglo-Iranian Oil Company on the basis of the International Bank proposals if British technicians are excluded from the industry. [redacted] insisted that the Prime Minister is serious in pressing Iran's claim to Bahrein Island and that he has a new plan to present to AIOC should it fail to agree to this proposal. [redacted] 25X1A

25X1A [redacted]

Comment: The problem of British technicians has proved one of the chief stumbling blocks in settling the oil issue. Iran genuinely fears that the employment of the British by the International Bank would mean a renewal of British influence in internal affairs, and it has refused to accept the International Bank's stipulation that it should be free to hire personnel from any source necessary to ensure efficient operation of the industry.

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[redacted] Any agreement based on Iran's claim to Bahrein, which is extremely slim, would be unlikely to succeed.

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16. Royalist group formed in Iran: A Meshed newspaper has announced the formation of a royalist youth group, the Fedayan-i-Shah. The paper stated, however, that the group's constitution had not yet been formulated and that its details would be announced later. The American Consulate comments that the announcement appears to be a trial balloon. (R Meshed 44, 20 May 52)

Comment: The success or failure of this group will undoubtedly depend upon the support accorded it by the Shah. Although the Shah undoubtedly believes that Mossadeq's policies are leading Iran toward disaster, there is no indication that he is yet prepared to take a determined stand against the National Front, even to the extent of openly supporting a group such as the Fedayan-i-Shah.

17. South Africa's internal security may be threatened: South Africa's internal security is now threatened as a result of the government's drive against hostile individuals and groups under anti-Communist legislation, in the opinion of the US Military Attache in Pretoria.

Rioting mixed-breed and white garment workers protesting the arrest of leftist union secretary E. S. Sachs on 24 May

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were quelled by "vicious" police measures which sent 66 persons to the hospital. Sachs was re-arrested on 26 May when he again defied the government and addressed the garment workers who were staging a one-day protest strike. There was no violence this time. (C USARMA Pretoria 47, 25 May; R Pretoria 209, 26 May 52)

Comment: A strong combination of whites and non-whites against the government would seriously threaten internal security, but there is no evidence that this is developing despite the vigorous reaction to recent government steps.

The garment workers have broad support in left-wing unions and in non-white nationalist organizations, and general sympathy from moderate opposition forces. These groups, however, are not known to have offered to join in any concerted action against the government.

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WESTERN EUROPE

18. East Germans retaliate against signing of contractual agreement: The reactions of the East German Government to the signing of the Allied-West German contractual agreement are of the kind and magnitude anticipated, and must at the moment be regarded as only potentially explosive. The months-long propaganda build-up against the approval of the contractual agreement portended some vigorous reaction by the East German Government; it has, however, made it clear that the new border decrees are not irrevocable.

This suggests that the primary objective of the East German and Soviet Governments is still to block or delay the contractual agreement, the European Defense Community, and any form of European unity.

While semi-belligerent moves on the part of the East Germans are, therefore, likely to continue and perhaps increase, they are also likely to avoid extreme measures which would mobilize West German sympathy for Western policies. Moreover, the East German Government, with the assistance of possible Soviet diplomatic moves, may be expected to continue efforts to consolidate West German opinion against ratification of the contractual agreement through demands for spontaneous demonstrations, signature campaigns, or "popular decision." [REDACTED]

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21. French Socialists and Republicans favor internationalization of war in Indochina: Reports from the French Popular Republican and Socialist Party Congresses, now in session, indicate increasing popular dissatisfaction with the hopelessness of the French position in Indochina.

A motion of the centrist Popular Republicans, requesting the government to take the initiative in proposing that the Panmunjom conference be extended to consider all Pacific problems, would satisfy the long-standing French desire to share the Indochina burden. The new Minister Resident to Indochina, who is a member of this party, also stressed that the burden is an international one, but reaffirmed his insistence that France cannot abandon its mission.

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A Socialist spokesman has suggested settlement through both international and direct negotiations, adding that talks with China and India cannot be considered impossible until they have been attempted. This is reminiscent of the Socialists' earlier insistence that negotiations should be attempted with the Viet Minh.

Although the many recent rumors that the French were secretly seeking an armistice with the Communists have not been substantiated, the French public's growing awareness of the risks involved in the Indochina policy can be expected to lead to increased pressure on the government for an end to the present stalemate. (Factual data from: U Paris 7334, 26 May 52)

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Neo-Fascist gains likely to be repeated in Italian parliamentary elections: The greatly increased strength of the neo-Fascists, which was obtained at the expense of the Christian Democrats, and the undiminished strength of the Communists in the southern Italian municipal elections held on 25 May suggest that the trend toward political extremism may continue in the national parliamentary elections, which will take place not later than 1953.

On the argument that the national government no longer represents the viewpoint of the majority of voters, the neo-Fascists and the Communists may try to get the parliamentary elections advanced to this autumn. In anticipation of these

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elections, Premier de Gasperi will almost surely try to broaden his government by bringing into it members of the Liberal and Social Democratic Parties, and may give representation to his own Christian Democratic Party's right wing. He is also likely to try to revise the national election law to provide for either bloc voting or for single-member districts, a step which would re-enforce the center's margin.

The decisive majority obtained by the pro-Italian parties in the city of Trieste will strengthen the Italian Government's determination to insist upon the return of the entire Free Territory to Italy. (Factual data from: S Rome 5067, 20 May 52; R FBIS Rome, 26 May 52; PA Rome, 27 May 52; U NY Times, 27 May 52)

LATIN AMERICA

24. Cuba and Peru to re-establish diplomatic relations: A protocol establishing diplomatic relations between Peru and Cuba will be signed within a few days at Rio de Janeiro, according to a news item published in that city. Brazil will serve as intermediary between the two countries. (R FBIS Paris, AFP, 23 May 52)

Comment: The Cuban Government currently has friendly relations with all countries of Latin America except Peru. This country broke relations with Cuba on 29 August 1949 as the result of a controversy over the disappearance of two Peruvians who had sought asylum at the Cuban Embassy in Lima.

The accession to power of the Batista government, a sympathetic regime from the Peruvian viewpoint, is contributing considerably toward the restoration of relations.

25. Pre-election coup possible in Ecuador: A majority of Guayaquil area citizens who would have voted for Salazar Gomez in the 1 June presidential elections now favor a pre-election coup and a military dictatorship, [REDACTED]

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25X1C [REDACTED] Salazar Gomez has withdrawn from the race and the New Democratic National Alliance candidate appears to have little popular support. Defense Minister Diaz Granados is also increasingly in favor of a military junta or a coup in favor of Salazar Gomez, [REDACTED]

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[redacted] the pro-Salazar group probably does not have sufficient support to launch a successful revolt at this time, but that if the election results show that the Conservatives are winning, an attempt is likely. [redacted]

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Comment: The Defense Minister and certain senior army officers have been considering a coup for some time, but, [redacted] have refrained because they feel that they lack support. Current government protests against clerical interference in favor of the Conservative candidate, however, may furnish an excuse for pro-Salazar military elements.

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26.

Hondurans criticize United States for not recognizing Bolivia: The United States has been criticized by both administration and opposition newspapers in Honduras for not recognizing the new Bolivian Government. The prevailing view is that recognition is tied to tin "to the eternal discredit of the United States." (C Tegucigalpa Weeka 21, 23 May 52)

Comment: Of the Latin American countries, Honduras has consistently been one of the most friendly to the United States. The current criticism seems to reflect an underlying feeling that United States policy in Latin America is unduly influenced by economic considerations.

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NEAR EAST AFRICA

1. Egyptian King seriously considering replacing present Prime Minister: King Farouk and his advisers are seriously considering replacing Prime Minister Hilali Pasha, [REDACTED]

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[REDACTED] Chief of the Palace Cabinet, Afifi Pasha, is reportedly Farouk's first choice as a successor, and Minister of the Interior Maraghi Pasha is the second.

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[REDACTED] if the King rejects a reform program proposed by Maraghi, the latter may initiate a revolution.

- 25X1A There is no strong evidence that Maraghi alone could cause a change in the government without the King's support.

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[REDACTED]

Comment: There has been an increasing number of reports in the past weeks that Prime Minister Hilali might resign or be replaced. Former Prime Minister Sirry Pasha has been mentioned, along with Maraghi and Afifi, as a possible candidate for the premiership if Hilali should leave the government.

2. France conditions further air base grants on full US support in North Africa: According to a high Foreign Office official, France will not consider granting the United States base rights in Algeria and Tunisia if assurances are not received of complete American confidence in its North African policy.

France expects unconditional American support for the

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reforms which it is ready to institute in Tunisia and Morocco.
(S Paris 7313, 26 May 52)

Comment: Faced with international criticism of its action in North Africa, France has also resorted to other pressure tactics, such as suggesting the possibility of withdrawal from the United Nations if that organization decides to discuss the Tunisian question.

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